

Washington State
Legislature
**JOINT
TRANSPORTATION
COMMITTEE**

Implementing Alternative Transportation Funding Methods



Evaluation Framework Funding Methods Working Session



Sept. 9, 2009

Cedar River Group
Berk & Associates
Fehr & Peers
Nelson\Nygaard

PURPOSE

- Joint Transportation Committee (JTC) directed to conduct a comprehensive analysis of mid-term and long-term transportation funding mechanisms and methods (Transportation Budget)
- Principal Objective – Identify specific steps to begin implementing viable mid-term and long-term transportation funding approaches
- Focus on state imposed and collected transportation taxes and fees

SCHEDULE

July 30 JTC Meeting: Policy Initiatives and Data Collection

Sept. 9 JTC Meeting: Evaluation Criteria/Initial Screening

- Evaluation criteria to narrow funding method alternatives/initial screening of funding alternatives

Sept. 30 & Nov. 6 JTC Meetings: Implementation Alternatives

- Examine financing options –Infrastructure banks, GARVEE bonds
- Local funding alternatives
- Implementation alternatives for preferred funding methods
- Funding scenarios
- Taxpayer and revenue impacts

Final Report – December 31

2007 LONG-TERM FINANCING STUDY

- **Alternative Funding Methods Recommended**

Medium Term (5-15 years)	Long-Term (10-15 years)
• Sales tax on fuel	• Replace fuel tax with VMT fee
• Index fuel tax	Local option VMT fee
• More tolling	• Vehicle weight-mile tax
High occupancy tolling (HOT) Lanes	• Regional development impact fees
Extend bridge tolling	Transition between medium- & long-term dependent on how quickly fuel tax erodes and development of technology to collect VMT fees
Area tolling	
• Expand local sources	
Local option tax (RTID)	
• Container charges	

EXISTING STATE FUNDING SOURCES

Transportation 16-Year Financial Plan 2009-25

Fund Source	% 2009-25	% excluding bond sales, federal funds, interest
Motor Fuel Tax – 37.5 cpg	38%	51%
Licenses, Permits & Fees	18%	24%
Bond Sales	14%	
Federal Funds	12%	
Ferry Revenues	7%	10%
Tolling (TNB & SR 167)	3%	5%
Vehicle Sales Tax	3%	4%
Miscellaneous/Interest	5%	6%
Total Funds	\$46.7 billion	\$34.2 billion

FUNDING SHORTFALLS

- **Ferries**
 - Deficits in 2 funds – Ferries Capital (\$936 million) and Ferries Operations (\$128 million)
- **Other Projects Funding Not Resolved**
 - 16 projects delayed in the 2009-25 16-year financial plan
 - I-5 repaving not included
 - Tolling studies requested but funding not resolved for Columbia River Crossing, Interstate 405 HOT Lanes, State Route 167 corridor, and SR 509 corridor
- **Rail**
 - Amtrak Cascade 2006 Long Range Plan identified capital funding need of \$6.5 billion by 2023 (in 2006 dollars)
- **Washington State Transportation Plan**
 - Update due 2010

REVENUE RISK ASSESSMENT

- **Motor Vehicle Fuel Tax**
 - Fuel price projections
 - 10% increase in fuel prices from March forecast, would result in a \$230 million dollar reduction in revenue by FY 2015.
 - Fuel efficiency
 - Changes from current average of 20.8 mpg to CAFÉ standard of 35 mpg - \$436 million dollar reduction in revenue FY 2011
- **Vehicle Miles Traveled**
 - VMT reduction goals – if met would affect the stability and yield of a VMT fee

EVALUATION FRAMEWORK

Goal: Package of funding tools that the legislature could consider to meet the following objectives:

- **Revenue Stream:** Provide a stream of revenue commensurate with transportation system funding needs.
- **Public Benefits/Reflects Use:** Provide a clear purpose and policy rationale linked to transportation system use, economic development, and other state policies and goals.
- **Equitable:** Funding burden is geographically equitable and equitably allocates the costs to those who benefit.
- **Local:** Allows for viable local transportation funding options that recognize the distinct needs of different local systems.

Threshold Criteria - Funding Method

- Is an appropriate state level fee or tax, and
- Has a nexus with transportation

EVALUATION FRAMEWORK

Revenue Stream Criteria

- Revenue potential
- Responsive to inflation and growth
- Stable and predictable, including effects from fleet, VMT, & energy price changes
- Administration is easy for the public to understand and comply with
- Collection is cost-efficient
- Compatible with current or potential federal funding sources (federal direction unclear)

EVALUATION FRAMEWORK

Benefits/Reflects Use Criteria

- Links to a clearly identified transportation service or facility
- Reflects use
- Available to fund a full range of transportation choices
- Positively affects transportation system performance and other state policies/goals
- Creates and grows system connections

EVALUATION FRAMEWORK

Equity Criteria

- Costs reflect user benefits
- Costs reflect user impact
- Costs reflect geographic variations in: access to multi-modal transportation choices, needs, highway types, and level of use
- Costs on low tax base communities

EVALUATION FRAMEWORK

Local Criteria

- Provides revenue stream that could support local systems
- Provides an opportunity for viable local options
- Provides continuity of transportation system

FUNDING METHOD ALTERNATIVES

Six Categories of Funding Methods

1. Fuel
2. User Fees
3. Vehicle
4. Driver
5. Transportation Business
6. Advertising

FUEL

- Barrel Fee
- Motor Fuel Tax
- Exported Fuels Tax
- Alternative Fuels Taxes

USE

- Highway Facility Toll
- Highway Congestion Tolls
- System-wide Pricing – VMT Pricing
- System-wide Pricing – Truck Weight/VMT Pricing
- Washington State Ferries
- Rail Fares (Cascade Amtrak Service)
- Freight Fee
- Off-Road Use Fees

VEHICLE

- Retail Sales & Use Tax
- Rental Vehicle Sales Tax
- Motor Vehicle Registration, Weight & Title Fees – Autos
- Combined License Fee - Trucks
- Motor Vehicle Excise Tax

VEHICLE

- Tire Tax
- Vehicle Engine & Displacement Fee

DRIVER

- Driver Licenses
- Tax on Auto Insurance

TRANSPORTATION BUSINESS/ADVERTISING

- Dealer/Manufacturer Business License
- State Impact Fee
- Advertising

DISCUSSION

Questions/Comments